



# Letter to Stakeholders

3rd quarter  
2005

## FDIC

Our nation has a crisis to respond to, and, once again, we will overcome it . . . together. Hurricanes Katrina and Rita tore through the Gulf Coast swiftly wreaking havoc on life, property, and the Gulf Coast economy. The FDIC response to these disasters was also swift, as we worked around the clock with fellow regulators, financial institutions, and the public to make sure we were doing everything possible to ensure that there was stability and public confidence in the banking system. I remain proud of our outstanding and continuous efforts, both individually and collectively, in response to this crisis. For more information on FDIC-related activities, please go to [www.FDIC.gov](http://www.FDIC.gov).

**Don Powell**  
Chairman

Welcome to our three new FDIC Board of Director members: *Martin Gruenberg, as Vice Chairman of the FDIC; John Dugan, as Comptroller of the Currency; and John Reich, as Director of the Office of Thrift Supervision.*

## Our Priorities

### Stability

- While financial institutions affected by the hurricanes are facing challenging conditions, all banks are operating using established sites or temporary facilities. FDIC provided early assistance to consumers and bankers by opening a 24-hour hotline (1-877-ASK-FDIC) and a dedicated web page ([www.FDIC.gov/hurricane](http://www.FDIC.gov/hurricane)), which includes up-to-date banking information and answers to questions. The Call Center has responded to over 10,000 calls to-date.
- Conducted jointly, with the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision, and the Financial Crimes Enforcement Network, a series of outreach events for the banking industry on the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) Examination Manual released on June 30, 2005. Each outreach event provides guidance on compliance issues under the BSA/AML Manual, which emphasizes the banking industry's responsibility to both establish risk-based policies/procedures and safeguard operations from money laundering/terrorist financing.
- Reported that insured commercial banks and savings institutions had net income of \$33.1 billion for the second quarter of 2005, the second highest total ever.
- Announced that the BIF increased during the second quarter of 2005 by \$270 million (0.8%) to \$35.1 billion while the SAIF increased by \$136 million (1.1%) to \$12.9 billion. However, insured deposits grew faster than the fund balances, resulting in a decline in the BIF reserve ratio to 1.26%. The SAIF reserve ratio stood at 1.32%.
- Implemented jointly, with the FRB and the OCC, the Central Data Repository (CDR), a web-based system to collect, validate, and manage quarterly Call Report data. Beginning October 1, all financial institutions are required to file their third quarter 2005 Call Report using the system. The CDR employs a new, flexible data standard –XBRL–which will enable Call Report data to be shared more easily and compared more readily with other financial data.

### Sound Policy

- Issued jointly, with the FRB and the OCC, the final Community Reinvestment Act (CRA) rules intended to reduce regulatory burden while making CRA evaluations more effective in encouraging banks to meet community development needs.
- Proposed an amendment to Part 363 of the FDIC regulations that would relieve institutions with total assets between \$500 million and \$1 billion from requirements for annual internal control assessments and for audit committee members, who must be outside directors, to be independent of management.
- Launched a summer-long media campaign to raise awareness of the importance of financial education in Hispanic communities across the nation using the FDIC's free *Money Smart* financial education program.
- Hosted the 5th Annual Banking Research Conference, focusing on deposit insurance, international banking, credit and identity theft, and developments in loan pricing and performance.

### Stewardship

- Completed restructuring of the Corporation's resolutions/receivership management workforce. A reduction in staff levels was accomplished, in part, by implementation of a cross training program that will enhance employee readiness and organizational experience. Additional reductions were realized with the reassignment of skilled employees into the supervision area.

## Our Key Indices *Most Current Data*

Insurance	BIF		SAIF		Both Funds	
	Q2 2004	Q2 2005	Q2 2004	Q2 2005	Q2 2004	Q2 2005
Updated quarterly (\$ billions)						
# Insured Inst.	7,926	7,765	1,166	1,116	9,092	8,881
\$ Insured Inst.	\$ 8,387	\$ 9,038	\$ 1,273	\$ 1,447	\$ 9,660	\$ 10,485
Insured Deposits	\$ 2,606	\$ 2,777	\$ 927	\$ 980	\$ 3,533	\$ 3,757
Fund Balances	\$ 34.1	\$ 35.1	\$ 12.4	\$ 12.9	\$ 46.5	\$ 48.0
Reserve Ratios	% 1.31	% 1.26	% 1.34	% 1.32	% 1.32	% 1.28

Supervision		9/30/2004	9/30/2005
YTD			
Total Number of FDIC Supervised Institutions		5,284	5,257
Bank Examinations:			
Safety and Soundness		1,985	1,871
Compliance and CRA		1,629	1,544
Insurance and Other Applications Approved		2,299	2,270
Formal and Informal Enforcement Actions		467	427

Receiverships	BIF		SAIF		Both Funds	
	Q3 2004	Q3 2005	Q3 2004	Q3 2005	Q3 2004	Q3 2005
YTD (\$ millions)						
Total Receiverships	32	25	3	3	35	28
Assets in Liquidation	\$ 276	\$ 180	\$ 327	\$ 295	\$ 603	\$ 475
Collections	\$ 185	\$ 200	\$ 21	\$ 64	\$ 206	\$ 264
Dividends Paid	\$ 318	\$ 219	\$ 5	\$ 142	\$ 323	\$ 361

Income	BIF		SAIF		Both Funds	
	Q2 2005	Q3 2005	Q2 2005	Q3 2005	Q2 2005	Q3 2005
YTD (\$ millions)						
Assessment Income	\$ 25	\$ 42	\$ 3	\$ 6	\$ 28	\$ 48
Interest	\$ 829	\$ 1,220	\$ 302	\$ 447	\$ 1,131	\$ 1,667
Comprehensive Income	\$ 307	\$ 547	\$ 209	\$ 319	\$ 516	\$ 866

Resources	Budget/Expenditures				On Board Staff	
	Total	Ongoing Operations	Recvrshp Funding	Major Investment Funding	Q3 2005	Target Y/E 2005
(\$ millions)						
Annual Budget	\$ 1,179	\$ 1,026	\$ 75	\$ 78	4,545	4,751
YTD Expended	\$ 772	\$ 716	\$ 8	\$ 48		

Financial data is unaudited